



## Fiscal Estimate Narratives

DOR 3/25/2004

LRB Number	<b>03-1457/1</b>	Introduction Number	<b>AB-966</b>	Estimate Type	<b>Original</b>
<b>Subject</b>					
Nonrefundable individual income tax credit for child, dependent care					

### Assumptions Used in Arriving at Fiscal Estimate

Under current federal law, a nonrefundable child and dependent care credit may be claimed for amounts paid for household services and care of a qualifying person while the claimant worked or looked for work. The credit amount is equal to the applicable percentage, ranging from 20% to 35%, depending on the taxpayer's federal adjusted gross income (FAGI), times the qualified expenses paid. Beginning with tax year 2003, the maximum amount of qualified expenses that can be claimed for purposes of this credit is \$3,000 for one qualifying person and \$6,000 for two or more qualifying persons.

Taxpayers with FAGI of \$15,000 or less use the highest percentage – 35%. Thus, the maximum credit is \$1,050 in the case of one qualifying person and \$2,100 in the case of two qualifying persons. The credit percentage is phased down as FAGI increases: for taxpayers with FAGI over \$15,000, the credit is reduced by one percentage point for each \$2,000 of FAGI over \$15,000. The minimum percentage of 20% applies to taxpayers with FAGI greater than \$43,000.

This bill would create a state nonrefundable individual income tax credit equal to 50% of the amount that is claimed by an individual under the federal childcare credit. Thus, the maximum state credit for incomes of \$15,000 or less, would be \$525 for one child or dependent and \$1,050 for two or more children or dependents. Part-year residents and nonresidents could claim a credit equal to the credit for which the claimant is eligible multiplied by the ratio of the individual's Wisconsin adjusted gross income to the person's FAGI.

Based on a simulation on the 2001 Individual Income Tax Model, adjusted for 2003 law, this bill would decrease state income tax revenues by \$19.6 million.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Subject</b>			
Nonrefundable individual income tax credit for child, dependent care			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
one-time costs of \$19,000 for programming and development.			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$17,600		
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$17,600</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR	17,600		
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$-19,600,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-19,600,000</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State	Local	
NET CHANGE IN COSTS	\$17,600	\$	
NET CHANGE IN REVENUE	\$-19,600,000	\$	
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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